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C O N F I D E N T I A L SARAJEVO 001209

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SECDEF FOR FATA AND BEIN, DEPT FOR EUR (DICARLO), D
(SMITH), P (BAME), EUR/SCE (HOH, SAINZ, FOOKS), PM/WRA, AND
EUR/RPM (BROTZEN), NSC FOR BRAUN, USNATO FOR REID,
UNDERWOOD, SHAFFER

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SUBJECT: BOSNIA: DEFENSE PROPERTY RESOLUTION LAGS, SETS
STAGE FOR DISPUTE OVER SA/LW AND AMMUNITION

Classified By: Acting DCM Mike Reinert for reasons 1.4 (b) and (d)

¶1. (C) Summary. Over a year behind schedule, the Bosnian Ministry of Defense (MOD) submitted a plan to the Council of Ministers for the resolution of defense property issues between the entities and the state. The plan, required by the 2005 Law on Defense, loosely dictates a transfer arrangement for defense property requested by the state-level Ministry of Defense. The Council of Ministers and entity governments must now approve the deal, but scheduled negotiations have been delayed. The long-standing failure to conclude the property issues has also caused significant delays in resolving the status of the large amounts of surplus small arms and light weapons (SA/LW) and ammunition which remain a significant safety and proliferation threat. We anticipate that upon resolution of the property issues, we will be brought into a contentious debate between the MOD and some of our international partners as to whether the surplus material should be sold, donated or destroyed. End Summary.

¶2. (SBU) Background. The 2005 Law on Defense, which formally established the state-level Ministry of Defense and single Armed Forces, set out broad provisions for the transfer of defense property and articles from the defunct entity Ministries of Defense and Armed Forces to the new state-level institutions. Under Section D of the Defense Law, the state-level Ministry of Defense was to submit a list of both "immovable" (land, physical structures) and "movable" (weapons, ammunition, vehicles, etc.) defense property necessary for current and future defense needs. From this list, the state and entities were required to work out a legal transfer agreement. Articles 70 and 71 expressly state that the transfer was to be concluded by January 1, 2006, and that the state-level Ministry of Defense and Armed Forces would assume all rights of possession from that date. In order to block the entities from liquidating the defense property before they agreed to transfer it to the state, the Law of Defense also placed a moratorium on the sale of defense items until the property issues were resolved. End background.

¶3. (SBU) Due to a host of political and logistical reasons, the Ministry of Defense grossly missed the deadline for assuming possession of the defense articles. Over the past year, various proposals governing a transfer were discussed and floated through the Ministry, NATO HQ and OHR. In one of

her last acts before transferring authority to incoming Defense Minister Selmo Cikotic, the former Acting Defense Minister Marina Pendes submitted a plan to the Council of Ministers for the transfer of the property in April. As required by the defense law, the MOD's plan explicitly specified which "immovable" items were required for future defense purposes and therefore subject to state transfer. It also included provisions for the complete transfer of all arms and ammunition to the state. Both OHR and NATO HQ have told us that the MOD's plan represents the best possible solution to the property issues given the current political environment.

¶4. (C) Prime Minister Nikola Spiric pledged to use the MOD's plan as the basis for negotiations between his office and the entity governments to develop a final transfer agreement. Spiric has pledged to chair, but has yet to convene, discussions on the issue with the entity prime ministers and NATO HQ. This is due in no small part to the host of other pressing political matters in Bosnia, but also reflects the lack of incentives that either entity has to transfer both movable and immovable defense property to the state. On the Republika Srpska side in particular, we have heard grumblings that any property transfer would deprive the RS of proceeds of future sales of the items. Though there has been no formal assessment of the monetary value of immovable and movable defense items, it is certainly high and any sale of the items would net a significant return. Senior Bosnian-Serb officials at the state-level and in Banja Luka told us that RS Prime Minister Dodik will hold off on reaching an agreement on the property transfers until he receives guarantees that a significant amount of the proceeds from any sales of the items once the moratorium is lifted will go back to RS government coffers.

¶5. (C) Once the property issues are resolved, we anticipate that the question of whether the MOD will sell/donate or destroy surplus arms and ammunition will become contentious. A recent survey by the Defense Threat Reduction Agency (DTRA) found that there is well over 15,000 tons of surplus ammunition in Bosnia. Several thousand tons of this ammunition is unstable due to its age, but approximately 10,000 tons is usable. Both the UNDP and OSCE Pol-Mil office here have made clear that they will push the Bosnian government to maintain the moratorium on the sale of defense items after the resolution of property issues and destroy all surplus items. Representatives of some European embassies have also echoed this view point. For their part, senior MOD officials have told us that they hope to sell or donate most of the surplus items. According to the officials, the proceeds of the sales could be used by the ministry to cover funding gaps in maintenance of military equipment and upkeep of storage facilities. The MOD officials also point out that it would take decades to destroy all the surplus arms and ammunition even if Bosnia's domestic capacity for such activities were increased, presenting a long-term safety threat to communities near the storage areas and raising concerns over the trafficking and proliferation of items from the stockpiles. (Comment: This is generally accurate. Without a major upgrade of the capacity of Bosnia's two demilitarization sites in Zenica and Doboje, it would be impossible to resolve the issue of surplus arms and ammunition through destruction alone. End Comment.)

¶6. (C) Comment. Defense Minister Cikotic has already signaled he will not push to renew the moratorium on the sale of defense items after the property issues are resolved, noting that the moratorium was put in place for a distinct purpose for encouraging the resolution of the property issues and once its rationale is removed, there is no need to continue to deprive Bosnia of needed resources that could be gained from the sale of the items. The Deputy Minister of Defense and other senior MOD officials have already started to lobby us to back the government and ministry if it seeks to lift the moratorium. The MOD has a strong case that Bosnia can be trusted to adhere to all international export standards (we in fact helped create and stand-up their export control regime) and should not be unfairly held to a standard

that their European neighbors do not observe. Some MOD officials have also told us that lifting the moratorium would also allow them to donate or gift more items to Afghanistan and Iraq. At this point, the debate remains academic, but we do need to begin thinking in advance how we will respond to a formal MOD request to support their position once the property issues are resolved.

MCELHANEY